

GEOFF DAVIS, KENTUCKY
SUBCOMMITTEE CHAIRMAN

ERIK PAULSEN, MINNESOTA
RICK BERG, NORTH DAKOTA
TOM REED, NEW YORK
TOM PRICE, GEORGIA
DIANE BLACK, TENNESSEE
CHARLES W. BOUSTANY, JR., LOUISIANA

LLOYD DOGGETT, TEXAS
SUBCOMMITTEE RANKING MEMBER
JIM McDERMOTT, WASHINGTON
JOHN LEWIS, GEORGIA
JOSEPH CROWLEY, NEW YORK

DAVE CAMP, MICHIGAN, CHAIRMAN
SANDER M. LEVIN, MICHIGAN, RANKING MEMBER
COMMITTEE ON WAYS AND MEANS

JON TRAUB, STAFF DIRECTOR
MATT WEIDINGER, SUBCOMMITTEE STAFF DIRECTOR

JANICE MAYS, MINORITY CHIEF COUNSEL
NICHOLAS GWYN, SUBCOMMITTEE MINORITY STAFF

Congress of the United States
House of Representatives
COMMITTEE ON WAYS AND MEANS

WASHINGTON, DC 20515

SUBCOMMITTEE ON HUMAN RESOURCES

October 13, 2011

The Honorable Jane Oates
Assistant Secretary
Employment and Training Administration
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210

Dear Ms. Oates:

Thank you for testifying at our subcommittee hearing assessing the President's proposals to help the long-term unemployed. We appreciated your expertise as we review the President's proposals designed to help long-term unemployed individuals return to work.

In order to complete the record of the hearing, please respond to the following questions no later than Thursday, October 27, 2011:

1. Back in the President's September speech to Congress, he hailed the proposals that were the topic of our Subcommittee hearing as the "the most historic overhaul of UI since its inception." But the details of the proposals suggest they are all be temporary (that is, they are generally tied to the temporary Emergency Unemployment Compensation program, which the President's proposal would extend one year through December 2012). Meanwhile, the permanent State UI program remains the same, a system that can only pay weekly unemployment benefit checks even if States think there is a better way to help the unemployed return to work quickly. What exactly is the "historic overhaul" part of the President's proposal? What of the changes in the proposal will still be in effect in 2013?
2. I note the part of your testimony about the supposed multiplier effects of spending on UI benefits, citing work by CBO and others.

I have a different question about the employment effects of extended UI benefits. Does the Department of Labor know how many people have gone to work while collecting extended unemployment benefits in recent years? If so, can you project the number of people who can reasonably be expected to return to work next year while collecting extended Federal unemployment benefits, if they are extended for a 10th time?

Separately, if Congress does not extend unemployment benefits again – can you project how many long-term unemployed people who might otherwise have collected benefits would go to work, if these benefits are not extended?

3. The Administration's latest jobs plan would maintain the current "three year lookback" determining where up to 20 weeks of Federal Extended Benefits are paid. The practical effect is that by next summer very few States will be paying benefits under that program, cutting the maximum weeks of Federal benefits from 73 weeks to 53 weeks. That in turn will reduce the maximum weeks of total UI benefits from 99 weeks to 79 weeks.

If unemployment rates stay in the range currently forecast by the Administration, do you agree that the practical effect of the Administration's proposal would be to reduce the maximum weeks of all UI benefits from 99 weeks now to 79 weeks next year?

4. In the 2009 stimulus law, states were provided shares of a one-time \$7 billion fund if they expanded UI eligibility in various ways, such as covering people who were looking for only part time work, or who quit their prior job for certain "compelling" reasons.

How many additional individuals have received UI benefits as a result of these "modernization" expansions?


How much in additional State UI benefits have they been paid to date as a result of these expansions?

How much in additional Federal extended UI benefits have they been paid to date as a result of these expansions?

The Committee relies on electronic submissions for printing of the official record. Therefore, please send an electronic submission in Word format to timothy.ford@mail.house.gov. If you have any questions concerning this matter, please feel free to contact Matt Weidinger or Anne DeCesaro of my staff at (202) 225-1025.

Again, many thanks. We will continue to be in touch with you if we have questions about your recommendations.

Sincerely,


Geoff Davis



NOV 18 2011

The Honorable Geoff Davis
Chairman
Subcommittee on Human Resources
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Davis:

Thank you for the opportunity to testify at the hearing held on October 6, 2011, assessing the Unemployment Insurance (UI) provisions in the American Jobs Act of 2011.

In order to complete the record of the hearing, I am enclosing my agency's response to the questions you and Congressman Reed had with regards to the President's proposals as they relate to the UI program.

We welcome the opportunity to work with Congress on legislation that addresses the needs of the long-term unemployed.

If you have additional questions, you may contact Mr. Adri Jayaratne, Senior Legislative Officer, Office of Congressional and Intergovernmental Affairs, at (202) 693-4600.

Sincerely,

A handwritten signature in blue ink that reads "Jane Oates". The signature is stylized with a large, looping "J" and a cursive "Oates".

Jane Oates
Assistant Secretary

Enclosure

Questions and Answers
Committee on Ways and Means
Subcommittee on Human Resources
Rep. Davis, Subcommittee Chairman

October 26, 2011

PART I

Question

Back in the President's September speech to Congress, he hailed the proposals that were the topic of our Subcommittee hearing as "the most historic overhaul of UI since its inception." But the details of the proposal suggest they are all [to] be temporary (that is, they are generally tied to the temporary Emergency Unemployment Compensation program, which the President's proposal would extend one year through December 2012). Meanwhile, the permanent state UI program remains the same, a system that can only pay weekly unemployment benefit checks even if States think there is a better way to help the unemployed return to work quickly.

What exactly is the "historic overhaul" part of the President's proposal?

Answer

As I mentioned in my testimony, the American Jobs Act proposes several changes to the traditional way unemployment insurance (UI) claimants have been provided services to help them become reemployed. Because jobs have been slow to return since the technical end of the Great Recession, many more Americans are remaining unemployed for unprecedented periods of time and are facing new barriers to reemployment, including employer discrimination. Therefore, the primary focus of this legislation is to ensure that longer term unemployed workers are provided with new opportunities to improve their likelihood of reemployment. Building on the success of the Reemployment and Eligibility Assessment (REA) initiative, which better connects UI claimants to reemployment services offered through One-Stop Career Centers, the Act requires all Emergency Unemployment Compensation (EUC) claimants to receive both reemployment services and an eligibility assessment, a model that has proven successful. The Reemployment NOW program will provide states the ability to implement a number of innovative reemployment programs such as Bridge to Work, wage insurance, self employment assistance, and others that will be thoroughly evaluated in order to inform longer term reform related to the regular UI program.

Beyond the President's proposal, I would also note that States receive funding to support workforce programs that are available to UI claimants both virtually and through One-Stop Career Centers. Improving the employment outcomes of UI claimants is a priority and the Department is working with states to better connect UI claimants to available training and employment services.

Question

What of the changes in the proposal will still be in effect in 2013?

Answer

The Reemployment Services/REA, Reemployment NOW, Bridge to Work, and Self Employment Assistance programs will be available through the phase out of the EUC program (June 2013). We would anticipate that states may use their reemployment NOW funds for intensive reemployment services and for running their innovative programs in 2013 since reobligation of funds from other states must happen by December 31, 2012.

In addition, states will have the option to either adopt a new Short Term Compensation (STC) program or expand an existing program with their share of grant funds. The proposal encourages states to provide for an STC program under their own laws by providing 100 percent Federal funding of STC benefits for up to three years. Separately, the proposal would create a two-year Federal STC program for states without an STC program, which would likely continue into 2013. Under this program Federal government would pay 50 percent of the benefit costs and employers would pay the remaining 50 percent of the benefit costs.

PART II

Question

I note the part of your testimony about the supposed multiplier effects of spending on UI benefits, citing work by the CBO and others. I have a different question about the employment effects of extended UI benefits.

Does the Department of Labor know how many people have gone to work while collecting extended unemployment benefits in recent years?

Answer

We estimate that, as of September 2011, 10.6 million claimants who received extended unemployment benefits (EUC or EB) have left the program without using all available benefits. The Department of Labor does not collect, or require states to collect, employment outcomes for UI recipients for any of the UI programs.

Question

Can you project the number of people who can reasonably be expected to return to work next year while collecting extended federal unemployment benefits, if they are extended for a tenth time?

Answer

We estimate that an additional 2.6 million claimants would leave the program without exhausting all available benefits by the end of calendar year 2012. Again, the Department does not collect, or require states to collect, employment outcomes for UI recipients for any of the UI programs.

Question

If Congress does not extend unemployment benefits again – can you project how many long-term unemployed people might otherwise have collected benefits would go to work, if these benefits are not extended?

Answer

The Department does not have the ability to project how many long-term unemployed individuals would otherwise go to work, if benefits are not extended.

PART III

Question

The Administration's latest jobs plan would maintain the current "three year lookback" determining where up to 20 weeks of Federal Extended Benefits are paid. The practical effect is that by next summer very few States will be paying benefits under that program, cutting the maximum weeks of federal benefits from 73 weeks to 53 weeks. That in turn will reduce the maximum weeks of total UI benefits from 99 weeks to 79 weeks.

If unemployment rates stay in the range currently forecast by the Administration, do you agree that the practical effect of the Administration's proposal would be to reduce the maximum weeks of all UI benefits from 99 weeks to 79 weeks next year?

Answer

Drawing on bipartisan support, the Administration developed this set of UI proposals. Current economic forecasts do indicate that EB would not be available in many states through the 2012 calendar year. We would be happy to work with the Committee to address this issue.

PART IV

Question

In the 2009 stimulus law, states were provided shares of a one-time \$7 billion fund if they expanded UI eligibility in various ways, such as covering people who were looking for only part-time work, or who quit their prior job for certain “compelling” reasons.

How many additional individuals have received UI benefits as a result of the “modernization” expansions? How much in additional State UI benefits have individuals been paid to date as a result of the “modernization” expansions? How much in additional Federal extended UI benefits have individuals been paid to date as a result of the “modernization” expansions?

Answer

The Department only has anecdotal information from a few states about the number of individuals who are now eligible for the benefits they have received due to UI Modernization. States were not required to collect and report information on the number of individuals who received UI benefits as a result of the “modernization” expansions who would otherwise have been ineligible. It is likely that the increased number of UI recipients due to UI Modernization varies widely across states. Some states already had some of the necessary provisions in place and only had to make minor modifications to their laws, regulations, or policies to qualify for the funds resulting in only marginal increases in numbers of recipients. Other states enacted the full panoply of provisions necessary to entitle them to their share of UI Modernization incentive funds, resulting in larger increases in the number of recipients. Many of these provisions have not been in effect for a sufficient amount of time for states to assess increases in reciprocity.

GEOFF DAVIS, KENTUCKY
SUBCOMMITTEE CHAIRMAN

ERIK PAULSEN, MINNESOTA
RICK BERG, NORTH DAKOTA
TOM REED, NEW YORK
TOM PRICE, GEORGIA
DIANE BLACK, TENNESSEE
CHARLES W. BOUSTANY, Jr., LOUISIANA

LLOYD DOGGETT, TEXAS
SUBCOMMITTEE RANKING MEMBER
JIM McDERMOTT, WASHINGTON
JOHN LEWIS, GEORGIA
JOSEPH CROWLEY, NEW YORK

DAVE CAMP, MICHIGAN, CHAIRMAN
SANDER M. LEVIN, MICHIGAN, RANKING MEMBER
COMMITTEE ON WAYS AND MEANS

JON TRAUB, STAFF DIRECTOR
MATT WEIDINGER, SUBCOMMITTEE STAFF DIRECTOR

JANICE MAYS, MINORITY CHIEF COUNSEL
NICHOLAS GWYN, SUBCOMMITTEE MINORITY STAFF

Congress of the United States
House of Representatives

COMMITTEE ON WAYS AND MEANS

WASHINGTON, DC 20515

SUBCOMMITTEE ON HUMAN RESOURCES

October 13, 2011

Ms. Maren Daley
Executive Director
Job Service North Dakota
1000 East Divide Avenue
Post Office Box 5507
Bismarck, North Dakota 58506-5507

Dear Ms. Daley:

Thank you for testifying at our subcommittee hearing assessing the President's proposals to help the long-term unemployed. We appreciated your expertise as we seek to help unemployed individuals return to work.

As I mentioned at the end of the hearing, Members would submit questions to you in writing. I would like to pose the following questions for your review and response:

1. The Administration projects unemployment will remain high well into 2013, yet they only propose temporary programs and funding.

Even when the unemployment rate does come down, tens of millions of people will be laid off each year, and millions will be unemployed and collecting benefits at any moment in time.

There seems to be common ground about helping the long-term unemployed return to work. My question is – should we build on this common ground and make some *permanent*, rather than just temporary, reforms to help the short *and* long-term unemployed be more successful at returning to work in the years to come?

2. Knowing that we are short on cash, what would be the most effective low-cost measures we could take to help States get unemployed individuals back to work quickly?

Please respond to this question no later than Thursday, October 27, 2011. The Committee relies on electronic submissions for printing of the official record. Therefore, please send an electronic submission in Word format to timothy.ford@mail.house.gov. If you have any questions concerning this matter, please feel free to contact Matt Weidinger or Anne DeCesaro of my staff at (202) 225-1025.

Again, many thanks. We will continue to be in touch if we have further questions about your excellent recommendations.

Sincerely,



Geoff Davis

October 26, 2011

The Honorable Geoff Davis
Subcommittee on Human Resources Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Representative Davis:

My response to the House Ways and Means Human Resources Committee Testimony Questions, as outlined in your letter dated October 13, 2011 are below.

Question 1:

The Administration projects unemployment will remain high well into 2013, yet they only propose temporary programs and funding.

Even when the unemployment rate does come down, tens of millions of people will be laid off each year, and millions will be unemployed and collecting benefits at any moment in time.

There seems to be common ground about helping the long-term unemployed return to work. My question is – should we build on this common ground and make some *permanent*, rather than just temporary, reforms to help the short *and* long-term unemployed be more successful at returning to work in the years to come?

Answer 1:

States need to make intensive reemployment services a core activity for the unemployed who are filing claims. Too often, all focus is placed upon actions relating to the need to increase the UI Trust Fund levels in order to continue to pay benefits. While this is indeed critical, it is equally critical that we invest at least the same level of effort in getting claimants back to work. While each state is different, by virtue of the fact that there remains a fairly large number of unfilled open jobs in the United States, it can be deduced that by better preparing UI claimants for rapid re-entry into the workforce, we would benefit claimants, employers, and state UI Trust Funds.

It is critical to recognize that initiating targeted reemployment services for UI claimants shortly after separation from employment has been proven to help get claimants back to work sooner. This timelier reemployment provides great economic benefit to both claimants and employers. Conversely, the lack of reemployment services during the early stages of unemployment increases the duration and costs of unemployment to these same two groups. The USDOL has had a focus on reemployment for several years with their Reemployment Eligibility Assessment (REA) program. One of the keys to success of the REA program has been the fact that each participating state has the power to design and administer the REA program with the needs of the state's workforce and employer base at the core of the program. REA has taken us outside of the box of one-size-fits all, and has allowed states to target activities to their specific needs.

The difficulty that has been encountered with the REA program is that it has been funded on a year-by-year application basis. REA lacks assurances of sustainability as a long term program as it relates to program funding. Based on our successes associated with the REA program in North Dakota, this program should be funded on a consistent ongoing basis. Some may argue that other funding sources exist to accomplish the critical functions of the REA program, however, the other funding streams often referred to as options for supplementing reemployment services have had flat to declining funding and are inadequate to meet the need. Wagner Peyser, which is the basis for the labor exchange program with universal access, has been flat funded for 30 years. For a minimally funded state such as North Dakota, this has not been adequate to meet inflationary cost increases to deliver basic universal services much less targeted reemployment services to UI claimants.

The Workforce Investment Act (WIA), which can provide core, intensive and training services to assist targeted populations to achieve self sustaining employment, has been cut time after time with upcoming reductions again being considered by the US House of Representatives. The current WIA cuts being considered would force the closure of many One-Stop Career Centers which are integral to the provision of reemployment services. Importantly, funding for unemployment administration does not extend to reemployment services.

The Unemployment Insurance (UI) system as designed is very effective in efficiently providing timely, short-term monetary assistance to individuals who become unemployed through no fault of their own. The functionality of the program as a safety net, both for workers and employers, has been refined over time, and is driven in large part by state specific laws relating to eligibility requirements and employer premiums.

Much debate could be and has occurred in relation to the UI program, with a major focus being applied to the topics of extensions of UI benefits, expanded

claimant eligibility, and the strength and design of state UI Trust Funds. Discussion of these items is important, and North Dakota carefully considers these topics continually to ensure the continued equitable, cost effective operation of the UI program in our state. However, as important as these items are, we recognize that the true success of our program is not based solely on paying a monetary benefit to an individual. If our only goal was to provide a weekly payment to claimants, without ever trying to assist them in becoming rapidly reemployed, we would do a disservice to the claimants and employers of our state. Under this scenario, we inadvertently create a risk to our UI Trust Fund, and subsequently create an environment in which increases in employer tax rates is common. To this end, North Dakota has placed a more intensive effort upon reemployment services.

In summary, ongoing adequate funding for flexible reemployment services which are designed by the states and delivered to meet local economic needs would serve to reduce costs and facilitate rapid reemployment of more UI claimants. This would allow states to respond quickly and provide targeted reemployment services.

Question 2:

Knowing that we are short on cash, what would be the most effective low-cost measures we could take to help States get unemployed individuals back to work quickly?

Answer 2:

Long term permanent funding for flexible state-designed reemployment services is a key to getting unemployed individuals back to work quickly. While this could take many forms, the most efficient and low cost method would be to make the REA program a permanent fixture of the UI program. North Dakota has participated in the REA program since its inception in 2005, and there is solid evidence to support the fact that REA participants return to work much more rapidly than those individuals who were not able to participate in the program.

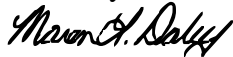
REA does require an investment of staff time, which ultimately means there is a monetary cost to the program. However, the cost of providing REA services to claimants is greatly offset by the reduction in benefit payments made to these individuals. Assuming an individual was unemployed long enough to require three separate REA sessions with a state staff member, the overall cost of providing these services to the individual remains under \$200. However, the return on investment is tremendous. In North Dakota, we have found that those claimants who participate in the REA program are unemployed for a duration that

The Honorable Geoff Davis
October 26, 2011
Page 4

is four weeks shorter than those who have not been able to participate. This reduced duration results in a benefit savings of over \$1200 per claimant. As REA services are provided to more individuals, the return on investment grows proportionately.

The success of state designed reemployment services, such as REA, is a proven and cost effective method for getting individuals back to work quickly. In contrast, funding reemployment initiatives on a one-size-fits-all basis can easily miss the cost savings states that can achieve with flexible funding that can be tailored for unique targeted needs.

Sincerely,

A handwritten signature in black ink, appearing to read "Maren L. Daley".

Maren L. Daley
Executive Director
Job Service North Dakota

GEOFF DAVIS, KENTUCKY
SUBCOMMITTEE CHAIRMAN

ERIK PAULSEN, MINNESOTA
RICK BERG, NORTH DAKOTA
TOM REED, NEW YORK
TOM PRICE, GEORGIA
DIANE BLACK, TENNESSEE
CHARLES W. BOUSTANY, JR., LOUISIANA

LLOYD DOGGETT, TEXAS
SUBCOMMITTEE RANKING MEMBER
JIM McDERMOTT, WASHINGTON
JOHN LEWIS, GEORGIA
JOSEPH CROWLEY, NEW YORK

DAVE CAMP, MICHIGAN, CHAIRMAN
SANDER M. LEVIN, MICHIGAN, RANKING MEMBER
COMMITTEE ON WAYS AND MEANS

JON TRAUB, STAFF DIRECTOR
MATT WEIDINGER, SUBCOMMITTEE STAFF DIRECTOR

JANICE MAYS, MINORITY CHIEF COUNSEL
NICHOLAS GWYN, SUBCOMMITTEE MINORITY STAFF

Congress of the United States
House of Representatives
COMMITTEE ON WAYS AND MEANS

WASHINGTON, DC 20515

SUBCOMMITTEE ON HUMAN RESOURCES

October 13, 2011

Mr. Don Peitersen
Project Director
Unemployment Insurance/Workforce
American Institute for Full Employment
2626 Biehn Street
Klamath Falls, Oregon 97601

Dear Mr. Peitersen:

Thank you for testifying at our subcommittee hearing assessing the President's proposals to help the long-term unemployed. We appreciated your expertise as we seek to help long-term unemployed individuals return to work.

As I mentioned at the end of the hearing, Members would submit questions to you in writing. I would like to pose the following questions for your review and response:

1. The Administration projects unemployment will remain high well into 2013, yet they only propose temporary programs and funding.

Even when the unemployment rate does come down, tens of millions of people will be laid off each year, and millions will be unemployed and collecting benefits at any moment in time.

There seems to be common ground about helping the long-term unemployed return to work. My question is – should we build on this common ground and make some *permanent*, rather than just temporary, reforms to help the short *and* long-term unemployed be more successful at returning to work in the years to come?

2. Knowing that we are short on cash, what would be the most effective low-cost measures we could take to help States get unemployed individuals back to work quickly?

3. You reference the cost effectiveness of engaging UI recipients in programs such as the proposed Bridge to Work program. The Administration proposes billions of additional temporary funds for such efforts -- on top of the \$44 billion cost of extending unemployment benefits for the 10th time.

You noted the wage subsidy is less expensive than paying benefits in the end. Should States be given flexibility over all extended benefit funds, rather than over just additional temporary funds the Administration is proposing, to place unemployed persons in wage subsidy programs? If States could help the long-term unemployed get training that helps them get off benefits faster, wouldn't it be better for everyone?

4. Would you please explain the major differences between how Georgia Works functioned, and what the Administration is proposing in its "Bridge to Work" program? Will those changes make the program the Administration has proposed more or less likely to actually help people return to work? How do you expect employers will respond to the Administration's proposed changes?
5. The Administration proposals focus on the long-term unemployed, that is, people who have already been out of work for over six months, and who might have been out of work as long as two years. From an employer perspective, and ultimately from the standpoint of what will work best to get unemployed persons back to work, is that the right focus, or should more focus be placed on people *before* they are long-term unemployed? In short, in considering the challenges facing unemployed people like Ms. Deane, would she be more likely to benefit from interventions now -- when she is in her fourth month of unemployment -- or in three, ten or even 20 months from now, that is, only after she has become a long-term unemployed person?

Please respond to this question no later than Thursday, October 27, 2011. The Committee relies on electronic submissions for printing of the official record. Therefore, please send an electronic submission in Word format to timothy.ford@mail.house.gov. If you have any questions concerning this matter, please feel free to contact Matt Weidinger or Anne DeCesaro of my staff at (202) 225-1025.

Again, many thanks. We will continue to be in touch if we have further questions about your excellent recommendations.

Sincerely,



Geoff Davis

AMERICAN INSTITUTE FOR FULL EMPLOYMENT

Responses to Chairman Davis' questions to Don Peitersen regarding his testimony before the Subcommittee on Human Resources – October 6, 2011

1. The Administration projects unemployment will remain high well into 2013, yet they only propose temporary programs and funding.

Even when the unemployment rate does come down, tens of millions of people will be laid off each year, and millions will be unemployed and collecting benefits at any moment in time.

There seems to be a common ground about helping the long-term unemployment return to work. My question is – should we build on this common ground and make some permanent, rather than just temporary, reforms to help the short and long-term unemployed be more successful at returning to work in the years to come?

RESPONSE:

With almost 40 years in this nation's unemployment insurance and workforce programs, I strongly support making permanent changes. Temporary solutions have tended to be complicated, ill-timed and confusing to claimants, employers and those who administer the programs, because they cannot depend on stability in the changes and therefore are slow to embrace or adopt them. Temporary programs, especially during times of economic crises, also often only put a band-aid over the underlying problems. In time, the band-aid has to be removed but the wound remains.

Most importantly, if a change is a good and needed change, it should be made permanent. For example, consider this question: In what recent year were 2.85 million UI claimants exhausting all of their regular UI claims and becoming long term unemployed: 2007, '08, '09, '10 or '11? It's a trick question. It was 2005 - before the recession - when 2.85 million (35.9%) of UI claimants exhausted their claims. From mid-year 2010 to 2011 the same data showed 5.4 million exhaustees. Recession years undoubtedly raise the number of our long term unemployed, but does that mean we should ignore the millions who are stuck unemployed in the good years. The mark of a great program is one that serves job seekers well in all economies. This is a perfect time to make that lasting change and develop a foundation that stands strong when we next find ourselves in difficult times.

2. Knowing that we are short on cash, what would be the most effective low-cost measures we could take to help States get unemployed individuals back to work quickly?

RESPONSE:

Over the past decade, we have had numerous conversations with state agencies about their attempts to improve reemployment of UI claimants. A common theme from them is the need to have more flexibility to be innovative in the development of programs and in the use of funding. Programs such as TANF and the Workforce Investment Act include waiver options to allow innovation, but the Unemployment Insurance program does not have that flexibility.

Such flexibility should contain a requirement that any proposal be reviewed for fiscal impact to determine if it would improve reemployment and reduce claims sufficiently to pay for the proposed program. In other words, any proposal must provide an acceptable "Return on Investment" prior to approval by US DOL.

Additionally, states should be required to establish clear and meaningful program performance measures that reflect the needs of their states' employers and job seekers.

3. You reference the cost effectiveness of engaging UI recipients in programs such as the proposed Bridge to Work program. The Administration proposes billions of additional temporary funds for such efforts – on top of the \$44 billion cost of extending unemployment benefits for the 10th time.

You noted the wage subsidy is less expensive than paying benefits in the end. Should States be given flexibility over all extended benefit funds, rather than over just additional temporary funds the Administration is proposing, to place unemployed persons in wage subsidy programs? If States could help the long-term unemployed get training that helps them get off benefits faster, wouldn't it be better for everyone?

RESPONSE:

Yes, states should be given options for implementing wage subsidy programs for all extended benefits programs. They should also be given the same options for regular state UI benefits programs so they help claimants avoid long term spells of unemployment and the need to claim extended benefits. Such wage subsidy programs should be developed properly with well-targeted recipients, meaningful state specific performance measures and a tightly calculated return on investment.

Not all claimants look the same. Some have skills and experience and are looking for work, some need to obtain training and/or education and other can benefit from learning a new job while being employed with a new employer. The key is that the states need the flexibility to develop a portfolio of solutions for the employer and job seeker that meet the unique needs of their state. In large part, our current system is a "one size fits all" approach. And, with half of all claimants exhausting their claims and trust funds going broke, it is failing.

4. Would you please explain the major differences between how Georgia Works functioned and what the Administration is proposing in its "Bridge to Work" program? Will those changes make the program the Administration has proposed more or less likely to actually help people return to work? How do you expect employers will respond to the Administration's proposed changes?

RESPONSE:

There are two significant differences between Georgia Works and the “Bridge to Work” proposal. The first is that “Bridge to Work” contains a mandate that requires an employer to hire the trainee within 24 weeks of program participation. Such a mandate has not been a requirement in Georgia Works or any other unemployment insurance wage subsidy program of which we are aware.

The use of the hiring mandate in “Bridge to Work” implies a concern about employer abuse of the program and/or a desire to guarantee program performance. Our program experience shows that states have not had any discernable problems with employer abuse. States have developed their own effective procedures to identify any potential abuse without a one-size-fits-all mandate. Mandates appear to have little intended effect. Due to the costs invested in training an individual and the relatively small subsidy, valued at just \$2,400, employers have little to gain by gaming the system and much more to lose by hiring the wrong employees.

A second significant difference between Georgia Works and Bridge to Work is that the latter splits a trainee’s income (where necessary due to minimum wage requirements) between UI benefits and employer pay. Georgia Works used normal UI benefit checks as the only source of income for the participant. In traditional wage subsidy programs, the income comes solely from the employer who is reimbursed by the state.

Bridge to Work’s split of trainee income may unnecessarily complicate administration of the program and undermine the desired end result. The split funding and treatment of benefits as wages creates complicating questions not involved with the wage subsidy program, such as: a) treatment of withholding taxes, b) determining who is the actual employer, and c) determining how benefits/wages are treated for charging unemployment insurance benefits claimed. But the split also involves a more subtle issue. Employees hired in this program should be treated largely the same whether they are receiving a wage subsidy or have been hired directly by the employer. But they are not.

We believe that both the hiring mandate and the two-payor system of wages will create significant issues for employers in supporting Bridge to Work. The income split becomes a bureaucratic nightmare for both employers and state agencies charged with administration of the program.

5. The Administration proposals focus on the long-term unemployed, that is, people who have already been out of work for over six months, and who might have been out of work as long as two year. From an employer perspective, and ultimately from the standpoint of what will work best to get unemployed persons back to work, is that the right focus, or should more focus be placed on people before they are long-term unemployed? In short, in considering the challenges facing unemployed people like Ms. Deane, would she be more likely to benefit from interventions now – when she is in her fourth month of unemployment – or in three, ten or even 20 months from now, that is, only after she has become a long-term unemployed person?

RESPONSE:

It is generally accepted that the earlier in their claim sequence that claimants are targeted for reemployment services, the better chance they have to gain reemployment. Ms. Deane, in the fourth month of her claim, if not afforded the proper reemployment services, has greater

chance of becoming one of those in the next bubble of long term unemployed to be served and remaining unemployed in the 8th or 12th month of a claim.

The current proposal targets only those who already exhausted their regular UI benefits and are drawing EUC. As such, it has the effect of delaying what should be done much earlier in a claim. An ounce of prevention, in this case, would counsel for program availability at two to three months, instead of at six to nine months or later.

GEOFF DAVIS, KENTUCKY
SUBCOMMITTEE CHAIRMAN

ERIK PAULSEN, MINNESOTA
RICK BERG, NORTH DAKOTA
TOM REED, NEW YORK
TOM PRICE, GEORGIA
DIANE BLACK, TENNESSEE
CHARLES W. BOUSTANY, Jr., LOUISIANA

LLOYD DOGGETT, TEXAS
SUBCOMMITTEE RANKING MEMBER
JIM McDERMOTT, WASHINGTON
JOHN LEWIS, GEORGIA
JOSEPH CROWLEY, NEW YORK

DAVE CAMP, MICHIGAN, CHAIRMAN
SANDER M. LEVIN, MICHIGAN, RANKING MEMBER
COMMITTEE ON WAYS AND MEANS

JON TRAUB, STAFF DIRECTOR
MATT WEIDINGER, SUBCOMMITTEE STAFF DIRECTOR

JANICE MAYS, MINORITY CHIEF COUNSEL
NICHOLAS GWYN, SUBCOMMITTEE MINORITY STAFF

Congress of the United States
House of Representatives
COMMITTEE ON WAYS AND MEANS

WASHINGTON, DC 20515

SUBCOMMITTEE ON HUMAN RESOURCES

October 13, 2011

Mr. Chris McConnell
Workforce Consultant
AlliedBarton Security Services
c/o CM Consulting, Inc.
91 Cambridge Place
Brooklyn, New York 11238

Dear Mr. McConnell:

Thank you for testifying at our subcommittee hearing assessing the President's proposals to help the long-term unemployed. We appreciated your expertise as we seek to help long-term unemployed individuals return to work.

As I mentioned at the end of the hearing, Members would submit questions to you in writing. I would like to pose the following questions for your review and response:

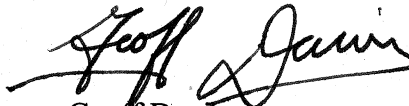
1. Knowing that we are short on cash, what would be the most effective low-cost measures we could take to help States get unemployed individuals back to work quickly?
2. The Administration's proposals involve temporary changes, and one-time pots of new money that generally expire after next year. From an employer perspective, and ultimately from the standpoint of what will work best to get unemployed persons back to work, are such temporary proposals more or less likely to work than permanent reforms that offer support for wage subsidy type programs?
3. How would you adjust the Administration's proposals to make them more effective at getting people back to work? Can these programs work so that they pay for themselves, in the form of UI benefit savings as people return to work more quickly?
4. The Administration proposals focus on the long-term unemployed, that is, people who have already been out of work for over six months, and who might have been out of work as long as two years. From an employer perspective, and ultimately from the standpoint

of what will work best to get unemployed persons back to work, is that the right focus, or should more focus be placed on people *before* they are long-term unemployed?

Please respond to this question no later than Thursday, October 27, 2011. The Committee relies on electronic submissions for printing of the official record. Therefore, please send an electronic submission in Word format to timothy.ford@mail.house.gov. If you have any questions concerning this matter, please feel free to contact Matt Weidinger or Anne DeCesaro of my staff at (202) 225-1025.

Again, many thanks. We will continue to be in touch if we have further questions about your excellent recommendations.

Sincerely,



Geoff Davis

PLEASE BE INFORMED THAT I AM NO LONGER AFFILIATED WITH ALLIEDBARTON SECURITY SERVICES AND ALL VIEWS EXPRESSED IN THIS DOCUMENT ARE WHOLLY MY OWN, CHRIS MCCONNELL, PRESIDENT, CM CONSULTING, INC.

Question 1:

In terms of cost effectiveness, I think that it would be best to concentrate on measures where the primary expenditure occurs post-employment. This could be something like a wage subsidy, or even On-the-Job-Training, where the biggest cash outlay occurs only when the UI recipient is employed, no longer receiving benefits, and generating income and payroll taxes.

Question 2:

Temporary measures, especially those of a year or two, are more difficult for states to administer and businesses to access. Each state has its own process for administering funds down to the county or city level, and then perhaps to vendors who will be delivering the programs. This process can easily take months, which often puts local governments and their vendors in the position of having to spend a year's budget in a few months. This situation also is a disincentive to innovation, because local governments don't have the time to develop new policies and programs that might be more effective than their current provision. Also, while I understand the desire for these pots of money to not become permanent, a window of three to four years, at minimum, would be more effective.

Question 3:

The most effective programs at getting people back to work will be the programs that allow states and local governments the flexibility to tailor services that meet the needs of employers in their areas. Employers have different needs and desires when it comes to working with these programs, and local governments must have the ability to form a menu of services to meet those needs.

Question 4:

I've never really understood the logic of basically waiting until somebody has been out of work a pretty long time before we think it's time to really throw all our resources at them. A better argument could be made for prioritizing the short-term unemployed so that they have less chance of ever becoming long-term unemployed.